

---

### 3. KEY DATA

---

THE INFORMATION SUMMARY INCLUDED IN THIS SECTION IS ONLY A SUMMARY OF CERTAIN INFORMATION CONTAINED IN THIS PROSPECTUS. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE UNITS AND IF NECESSARY, CONSULT YOUR OWN PROFESSIONAL ADVISERS.

INVESTORS SHOULD BE AWARE THAT THE RENTAL YIELDS OF THE PROPERTIES AS WELL AS OTHER REAL ESTATE THAT STARHILL REIT MAY INVEST IN THE FUTURE ARE NOT EQUIVALENT TO THE YIELD OF THE UNITS AND THAT THE CURRENT RENTAL INCOME AND YIELDS OF THE PROPERTIES MAY FLUCTUATE.

INVESTORS SHOULD ALSO NOTE THAT THE VALUE OF THE PROPERTIES (INCLUDING OTHER ASSETS AND INVESTMENTS THAT STARHILL REIT MAY HAVE IN THE FUTURE), UNIT PRICES AND DISTRIBUTIONS PAYABLE, IF ANY, MAY FLUCTUATE.

THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

#### 3.1 INTRODUCTION

Starhill REIT was established on 18 November 2005 pursuant to the Deed and is categorised as a real property fund. Starhill REIT is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. Starhill REIT will initially own and invest in the Properties which comprise (a) the Lot 10 Property, (b) the Starhill Property and (c) the Hotel Property which are to be acquired from YTL Land pursuant to the Sale and Purchase Agreement.

#### 3.2 KEY OBJECTIVES AND STRATEGIES OF STARHILL REIT

Starhill REIT will be managed and administered by the Manager. The primary objectives of the Manager are: (a) to provide Unitholders with stable cash distributions with potential for sustainable growth, principally from the ownership of properties; and (b) to enhance long-term Unit value. The Manager will use the operating, acquisition, capital management and financing strategies in Sections 9.1.2 to 9.1.4 to pursue Starhill REIT's business objectives.

#### 3.3 INVESTOR PROFILE

Starhill REIT may appeal to investors with a long term investment horizon seeking sustainable distribution of income and long term capital growth.

#### 3.4 INFORMATION ON TRANSACTION AND MAXIMUM APPROVED FUND SIZE OF STARHILL REIT

- Minimum initial investment*** : Applicants must apply for at least 100 Units or a multiple thereof.
- Minimum additional investment*** : Additional investment made will be at least 100 Units or a multiple thereof.
- Transfer of Units*** : The Units may be transferred through the CDS in accordance with the Central Depositories Act and the business rules of Bursa Depository.

See Section 18 headed "*The Units*" for further details about transfers of Units.

**Repurchase of Units**

: The Deed does not oblige the Manager to repurchase Units.

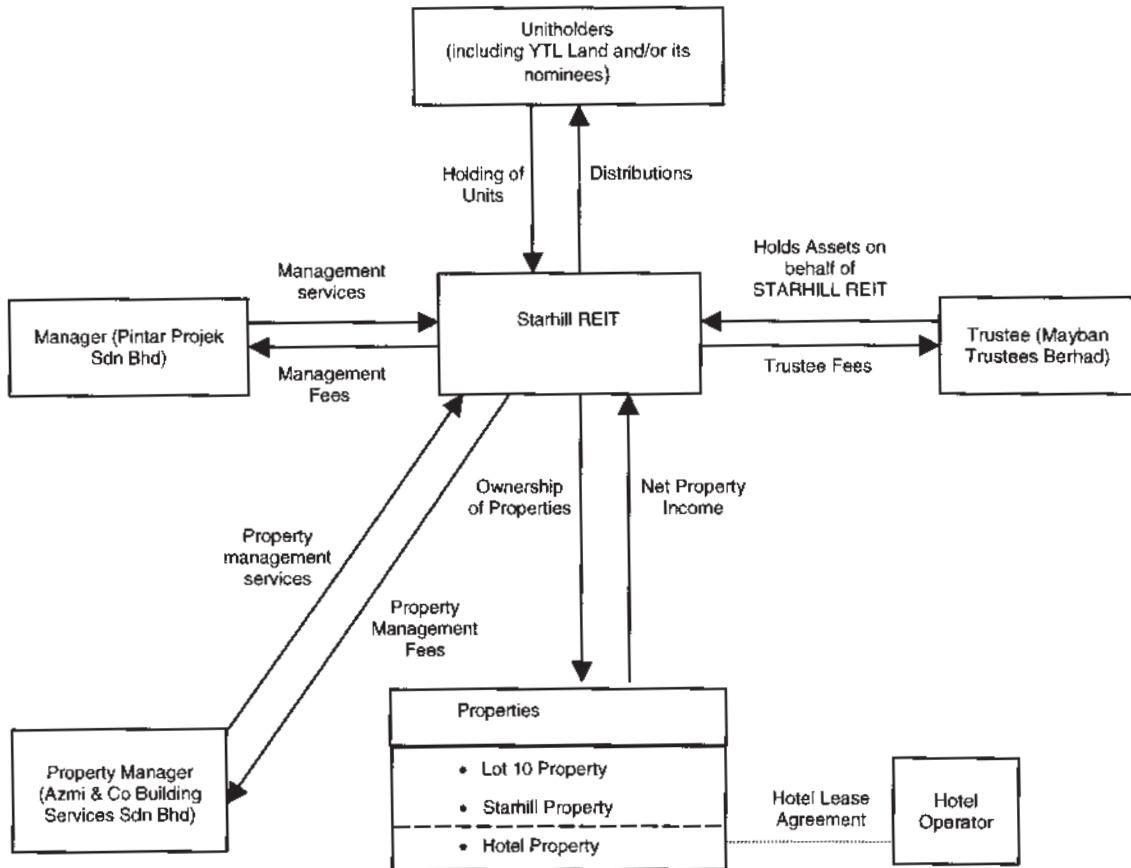
See Section 19 headed "*Salient Terms of Deed and Rights and Liabilities of the Unitholders*" in this Prospectus for further details about repurchase of Units.

The approved fund size of Starhill REIT is 1,040,000,000 Units. Further increases of the size of Starhill REIT beyond 1,040,000,000 Units will be subject to the approval of SC and other relevant regulatory Authorities and, if required, approvals of the Unitholders. The Manager may, in accordance with the provisions of the SCA, the REIT Guidelines, the Listing Requirements and any other applicable regulatory requirements, issue or offer Units by any method permitted under the REIT Guidelines and upon such terms as determined by the Manager.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

### 3.5 OVERVIEW OF STARHILL REIT STRUCTURE

The following illustrates the structure of Starhill REIT:



#### 3.5.1 The Manager

The Manager, Pintar Projek Sdn Bhd, was incorporated in Malaysia under the Act on 1 September, 1994. As at the Latest Practicable Date, the Manager has an authorised and paid-up capital of RM5,000,000 and RM1,500,000 respectively. The Manager's principal activity is to manage Starhill REIT.

The appointment of the Manager has been approved by the SC.

See Section 20 headed "*The Manager*" in this Prospectus for further details about the Manager.

#### 3.5.2 The Property Manager

The Property Manager, Azmi & Co Building Services Sdn Bhd was incorporated in Malaysia under the Act on 8 January, 1999. As at the Latest Practicable Date, the Property Manager has an authorised and paid-up capital of RM500,000 and RM150,000 respectively.

The Property Manager is a registered valuer and has been issued with an authority to practise property management by the Board of Valuers, Appraisers and Estate Agents Malaysia under the Valuers, Appraisers and Estate Agents Act, 1981.

The Property Manager will provide, among others, the following services for the Managed Properties, subject to the overall management of the Manager:

- *Property management services.* These include liaising with tenants to approve and co-ordinate tenants' fitting-out requirements, reviewing tenants' proposed design, assisting tenants with their tenancy design, supervising fitting outworks, effecting routine maintenance, ensuring compliance with building and safety regulations and arranging for adequate insurance.
- *Lease management services.* These include preparation of tenancy agreements, administration of rental collection, initiating lease renewals and negotiation of terms.
- *Marketing services.* These include providing marketing and marketing co-ordination services.

See Section 22 headed "*The Property Manager*" in this Prospectus for further details about the Property Manager.

### **3.5.3 The Trustee**

The Trustee of Starhill REIT is Mayban Trustees Berhad. The Trustee is a company incorporated in Malaysia and registered on 11 November 1963 as a trust company under the Trust Companies Act 1949. The Trustee is also registered with the SC as a trustee for unit trusts. The Trustee was approved by the SC to act as a trustee for Starhill REIT. As at the Latest Practicable Date, the Trustee has a paid up share capital of RM500,000.

See Section 21 headed "*The Trustee*" in this Prospectus for further details about the Trustee.

## **3.6 OVERVIEW OF THE PROPERTIES**

The NLA of Lot 10 Property and Starhill Property as disclosed in this section was based on the Latest Practicable Date as opposed to the NLA as disclosed in the valuation certificate dated 18 November 2005, prepared by the Independent Property Valuer, which was based on the NLA as at 28 February 2005.

The NLA for both Lot 10 Property and Starhill Property has been amended from time to time based on the requirements of the tenants as well as the conversion of common areas of Starhill Property into NLA subsequent to 1 March 2005, being the date of valuation.

In relation to Starhill Property, YTL Land has, with a view to transforming Starhill Property to become a leading expression of taste and style in food, fashion, living, beauty and art in the city, made renovations to parts of the Starhill Property, and created new lettable areas subsequent to 1 March 2005, being the date of valuation. See Section 6.6 in this Prospectus for further details about the rebranding and transformation of Starhill Property.

### **3.6.1 The Properties**

Starhill REIT's initial real estate portfolio will, on the Completion Date, comprise the Lot 10 Property, the Starhill Property and the Hotel Property. The Properties are all situated in the Bukit Bintang area, forming part of the 'Golden Triangle' district of Kuala Lumpur, Malaysia.

A summary of the Properties is as follows:

#### **Lot 10 Property**

---

Address	50, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Description	Lot 10 Property is located within the Lot 10 Shopping Centre. The Lot 10 Shopping Centre is at the south-east corner of the intersection of Jalan Sultan Ismail and Jalan Bukit Bintang and within the area more popularly known as "Bintang Walk". It consists of an 8-storey block with one basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Year of completion	1990
Occupancy rate (as at the Latest Practicable Date)	96%
Net Lettable Area (as at the Latest Practicable Date)	174,116 sq ft
Appraised Value	RM341 million
Gross Receipts (for FY 2005)	RM27.20 million
Number of tenants (as at the Latest Practicable Date)	96
Top three tenants <sup>(1)</sup>	(a) Autodome Sdn Bhd (5%) (b) Esprit De Corp (Malaysia) Sdn Bhd (4%) (c) F.J. Benjamin Fashions Sdn Bhd (3%)
Title	Leasehold; 99-year term expiring on 29 July 2076

#### **Starhill Property**

---

Address	181, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	Starhill Property is located on the south side of Jalan Bukit Bintang and within the area more popularly known as "Bintang Walk". It comprises part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Year of completion	1995
Occupancy rate (as at the Latest Practicable Date)	99.9%
Net Lettable Area (as at the Latest Practicable Date)	295,006 sq ft
Appraised Value	RM480 million

Gross Receipts (for FY 2005)	RM28.57 million
Number of tenants (as at the Latest Practicable Date)	38
Top three tenants <sup>(1)</sup>	(a) Autodome Sdn Bhd (67%) (b) Cortina Watch Sdn Bhd (6%) (c) Apcot PP(M) Sdn Bhd (2%)
Title	Freehold <sup>(2)</sup>

### **Hotel Property**

---

Address	183, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	The Hotel Property comprises part of an 8-level podium block and the entire twenty-four (24)-level tower block of the main building with five hundred and sixty-one (561) rooms
Year of completion	1997
Appraised Value	RM329 million
Gross Receipts (for FY 2005)	RM17.93 million
Sole Lessee	Star Hill Hotel Sdn Bhd
Expiry of Lease	31 December 2023
Title	Freehold <sup>(2)</sup>

**Notes:**

<sup>(1)</sup> Based on a percentage of monthly rent payable by tenants of Starhill Property or Lot 10 Property for the month of July 2005.

<sup>(2)</sup> There is no separate individual title for the Starhill Property and the Hotel Property which are both located on the land held under one title.

### **3.6.2 Valuation**

The Properties have been valued by the Independent Property Valuer. As at 1 March 2005, the total aggregate market value of the Properties was RM1,150 million. The valuations were primarily based on income and comparison approaches. In arriving at its valuations, the Independent Property Valuer has also considered recent sales and leasing transactions of comparable properties that have occurred in the retail property and hotel markets in the city of Kuala Lumpur, Malaysia. For further details of the valuations of the Properties, see "*Valuation Certificate*" in Appendix 1 of this Prospectus.

### **3.6.3 Security**

A first fixed charge will be granted over the Properties (subject to the Hotel Lease Agreement in the case of the Hotel Property) as part of the security for the Debt Facility in favour of the Lender.

### 3.7 SUMMARY OF RISK FACTORS

An investment in the Units to be listed on the Bursa Securities involves a number of risks, some of which, include market, industry, liquidity, credit, operational, legal and regulatory risks.

Prospective investors should rely on their own evaluations and consider carefully the investment considerations before buying any of the Units which are the subject of this Prospectus. Risk factors to be considered include, among others, the following:

- (a) risks relating to Starhill REIT's organisation and operating environment;
- (b) risks relating to investment in real estate;
- (c) risks relating to Starhill REIT's Properties; and
- (d) risks relating to an investment in the Units.

Further details of the principal risks of investing in Starhill REIT are set out in Section 10 headed "*Risk Factors*" of this Prospectus.

### 3.8 FEE, CHARGES AND EXPENSES

**THERE ARE FEES, CHARGES AND EXPENSES INVOLVED IN AN INVESTMENT IN STARHILL REIT. INVESTORS ARE ADVISED TO CONSIDER THE FEES, CHARGES AND EXPENSES WHICH MAY BE INVOLVED BEFORE INVESTING IN STARHILL REIT.**

Save for the fees and charges highlighted in Section 4.5, there are no other fees to be borne directly by the Unitholders when purchasing the Units. Other fees involved in an investment in Starhill REIT are as follows:

- (a) Fees and charges imposed by the Manager

	<b>Rate</b>
<b>Annual Management Fee</b>	
Base Fee	0.1% per annum of the Gross Asset Value (excluding any GST payable), accruing daily and payable to the Manager monthly in arrears
Performance Fee	2% per annum of the net property income, but before deduction of Property Management Fees and where net property income is the amount determined by the Manager in consultation with the Auditor, if appropriate, as representing the surplus (if any) of the total income and gains of the Starhill REIT derived from real estate, whether held directly or indirectly through single-purpose companies after deducting all direct costs (excluding any GST payable)
<b>Acquisition fee</b>	1.0% of the acquisition price of any asset (other than the Properties) being real estate or any single-purpose company whose principal assets are real estate purchased by the Trustee for Starhill REIT (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset acquired)

<b>Divestment fee</b>	0.5% of the sale price of any asset being real estate or any single-purpose company whose principal assets are real estate sold or divested by the Trustee for Starhill REIT (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset sold)
-----------------------	---

The Manager is further entitled to be reimbursed for all costs incurred in the course of exercising its powers and in fulfilling its obligations and in relation to the administration and management of Starhill REIT under the Deed. These costs include, amongst others, those incurred in communicating with Unitholders, maintaining the Starhill REIT on the Official List and building operating expenses not paid by tenants.

The Manager may charge a Unitholder fees for performing any service or undertaking any task at the request of the Unitholder where no obligation to perform that service or undertake that task is expressly provided for in the Deed, the Securities Commission Act, the REIT Guidelines or the Unit Trust Guidelines.

(b) Fees imposed by the Trustee

	<b>Rate</b>
<b>Annual Trustee Fee</b>	0.03% per annum of the Gross Asset Value, accruing daily and payable to the Trustee half-yearly in arrears

Except for expenses incurred for the general overhead and the cost for services which the Trustee is expected to provide, or falling within the normal expertise of the Trustee, the Trustee has the right to be reimbursed the fees, costs, charges, expenses and other outgoings incurred by it that are directly related and necessary to the business of Starhill REIT as allowed under the Deed.

(c) Fees imposed by the Property Manager

	<b>Rate</b>
<b>Annual Property Management Fee</b>	<ul style="list-style-type: none"> <li>• In respect of the first RM30,000 of the annual Gross Receipts relating to the Managed Properties, 5% per annum of such Gross Receipts</li> <li>• In respect of the next RM30,001 to RM100,000 of the annual Gross Receipts relating to the Managed Properties, 3% per annum of such Gross Receipts</li> <li>• In respect of amounts above RM100,000 of the annual Gross Receipts relating to the Managed Properties, 2% per annum of such Gross Receipts</li> </ul>

(excluding any GST payable)



(d) Expenses of the Starhill REIT

In addition to the fees payable to the Manager, Trustee and Property Manager as disclosed above, there are operating expenses involved in operating Starhill REIT such as the professional fees, fees in relation to the Debt Facility, allowance for bad debts and other direct administrative costs. In addition, Starhill REIT is responsible for the Property Costs, the Lot 10 Service Charges and the Fixed Operating Costs. These expenses are to be deducted from the Gross Receipts.

### 3.9 DISTRIBUTION POLICY

The Manager's current policy is to distribute to Unitholders at least 90% of the DI for each Financial Year. The Manager may amend its distribution policy at any time by giving notice to Unitholders.

Barring any unforeseen circumstances, the Manager will distribute an amount equal to 100% of the Starhill REIT's DI for the period from the Completion Date to 30 June 2007, and intends to distribute at least 90% of DI for each Financial Year thereafter. Distributions will be declared and paid to Unitholders in Ringgit Malaysia.

The Manager intends to make distributions to Unitholders on a semi-annual basis but the Manager may in its discretion change the frequency of any distributions to Unitholders, and the Manager anticipates that the interim and final distributions will be paid within 60 days from the book closure date. Starhill REIT's first distribution after the Listing Date, however, will be for the period from the Completion Date to 30 June 2006.

For these purposes, and under the terms of the Deed, DI will be:

- (a) the interim unaudited net income after tax of the Starhill REIT in regards to interim distributions; or
- (b) the audited net income after tax of the Starhill REIT, less the interim distributions, in regards to final distributions,

for the relevant period adjusted to eliminate the effects of certain Adjustments (as defined below) which have been recorded in the income statement for the relevant financial period.

Adjustments means the effects of: (i) realised gains on disposal of properties / assets; (ii) fair value gains on financial instruments; (iii) deferred tax charges / credits in respect of property valuation movements; and (iv) other non-cash gains, in each case as recorded in the income statement for the relevant distribution period.

In addition, the Manager has the discretion to distribute additional amounts including the equivalent of any realised property gains and realised gains on financial instruments and any amounts previously not distributed (referred to as "Additional DI").

In any case, the total distribution, comprising DI and Additional DI, to be distributed shall be subjected to the following:

- (a) the availability of funds in providing for the amount of total distribution; and
- (b) compliance with the gearing level prescribed by the REIT Guidelines and any applicable borrowing covenants.

The above distribution policy is based on current accounting policies applicable to Starhill REIT. In the event of any change in accounting policy, the Manager will review the distribution policy and may make any change to the distribution policy.

### 3.10 PROPOSED UTILISATION OF PROCEEDS

The total indicative gross proceeds accruing entirely to Starhill REIT arising from the Offering are estimated to be RM523,387,020, based on the Retail Offer Price and illustrative Institutional Offer Price of RM0.98 per Unit and RM1.03 per Unit respectively.

The following table sets out the intended application of the total proceeds from the Offering:

	<b>Application of proceeds</b> <i>(RM'000)</i>
Part finance the Purchase Consideration for the acquisition of the Properties <sup>(1)</sup> .....	439,600
Repayment of bank borrowing/Working capital <sup>(2)</sup> .....	61,787
Estimated listing expenses .....	22,000
Total .....	<u>523,387</u>

Notes:

<sup>(1)</sup> The balance of the Purchase Consideration for the Properties will be settled by the issuance of Consideration Units and the proceeds raised from the Debt Facility.

<sup>(2)</sup> The utilisation of proceeds for repayment of bank borrowing/working capital purposes will be adjusted accordingly depending on the actual proceeds raised from the Offering and actual expenses incurred for the Listing.

Further details of the utilisation are set out in Section 16 headed "*Proposed Utilisation of Gross Proceeds*" of this Prospectus.

### 3.11 INFORMATION ON THE OFFERING

#### 3.11.1 The Offering

The Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Units are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions as set out in Section 24 headed "*Structure of the Offering*" of this Prospectus:

- ***Retail Offer at the Retail Offer Price of RM0.98 per Unit to be fully paid by applicants and subject to refund in the event the Final Retail Price is less than RM0.98 per Unit***

29,999,000 Units will be made available for application by the Malaysian Public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

- ***Institutional Offer at an Institutional Offer Price to be fully paid by applicants upon allocation and determined by way of bookbuilding***

479,600,000 Units are being offered to Malaysian and foreign institutional and other selected investors.

The Promoter Units were issued on 18 November 2005 to the Manager for the purpose of constituting Starhill REIT and will be disposed of by the Manager on the Market Day immediately following the date on which Starhill REIT is listed.

### 3.11.2 Issued Units

	<u>No. of Units</u>
Fund size approved by the SC	1,040,000,000
Promoter Units as at the date of this Prospectus	1,000
To be issued as Consideration Units	530,400,000
To be issued pursuant to the Offering	509,599,000
Enlarged fund size of Starhill REIT	1,040,000,000
Total value of issued Units upon listing on the Main Board of Bursa Securities (RM) <sup>(1)</sup>	1,053,788,020

Note:

(1) Based on the Retail Offer Price of RM0.98 per Unit and illustrative Institutional Offer Price of RM1.03 per Unit.

### 3.11.3 Clawback and Reallocation

The allocation of Units between the Retail Offer and the Institutional Offer is subject to adjustment by the Joint Managing Underwriters and the Joint Bookrunners.

In the event the Retail Offer is over-subscribed and there is an under-subscription in the Institutional Offer, Units may be clawed back from the Institutional Offer and reallocated to the Retail Offer. In the event the Institutional Offer is over-subscribed and there is an under-subscription in the Retail Offer, Units may be clawed back from the Retail Offer and reallocated to the Institutional Offer. Any such reallocation is subject to the agreement among the Joint Managing Underwriters and the Joint Bookrunners with the Manager, which approval shall be unreasonably withheld or delayed.

### 3.11.4 Distribution Forecast

	<u>Forecast Period 2006</u>	<u>Projection Year 2007</u>	<u>Projection Year 2008</u>
Retail Offer Price per Unit (RM)	0.98	0.98	0.98
Illustrative Institutional Offer Price per Unit (RM)	1.03	1.03	1.03
Gross distribution per Unit (Sen)	3.11	6.58	6.44
Gross yield based on the Retail Offer Price (%)	6.43*	6.71	6.57
Gross yield based on the illustrative Institutional Offer Price (%)	6.12*	6.39	6.25
Gross distribution payout (%)	100	100	95

Note:

\* indicates annualised figures. Annualised distribution yield has been computed by extrapolating on a monthly basis the revenue and expenses of Starhill REIT for the 6 months from 1 January 2006 and 30 June 2006, except that certain expenses, such as property maintenance, administration expenses and arranger's fee have not been extrapolated as such expenses are expected to remain unchanged regardless of the length of the financial period under review.

### 3.12 Financial Highlights

Investors should read the whole of the Financial Highlights section set out below together with the reports set out in Appendix 3 headed "Reporting Accountants' Letters on Profit Forecast and Projections", Appendix 4 headed "Reporting Accountants' Letter on Proforma Historical Financial Information" and Appendix 5 headed "Reporting Accountants' Letter on Proforma Balance Sheet".

#### 3.12.1 Proforma Balance Sheet as at Listing Date

The table below sets out a summary of the proforma balance sheet of Starhill REIT assuming Starhill REIT is in existence on the Listing Date and after application of the total proceeds from the Offering using an assumed price of RM0.98 per Unit for Retail Offer and RM1.03 for Institutional Offer. The proforma balance sheet is presented for illustrative purposes only and should be read in conjunction with the notes set out in Section 17 headed "Proforma Balance Sheet".

	<b>As at Listing Date RM'000</b>
<b>Non-current assets</b>	
Investment properties	1,150,000
<b>Current asset</b>	
Cash in bank	61,788
<b>Non-current liability</b>	
Borrowing	(180,000)
<b>Net assets</b>	<u>1,031,788</u>
<b>Unitholders' funds</b>	
Units in issue	1,053,788
Estimated listing expenses	(22,000)
	<u>1,031,788</u>
Number of Units in issue	1,040,000,000
NAV per Unit (RM)	0.99
Gearing (Borrowing / Gross Asset Value)	14.85%

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

### 3.12.2 Proforma Historical Financial Information

The table below sets out a summary of the proforma income statements of Starhill REIT for the five (5) financial years ended 30 June 2005 prepared based on the audited financial statements of YTL Land on the assumption that the current structure of Starhill REIT had been in existence throughout the financial years under review. The proforma income statements are presented for illustrative purposes only and should be read in conjunction with Section 12 headed "Proforma Historical Financial Information" and Section 13 headed "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	<u>FY2001</u> <i>RM'000</i>	<u>FY2002</u> <i>RM'000</i>	<u>FY2003</u> <i>RM'000</i>	<u>FY2004</u> <i>RM'000</i>	<u>FY2005</u> <i>RM'000</i>
<b>Gross Receipts</b>	46,240	52,770	60,050	65,994	73,697
<b>Less: Property related operating expenses</b>					
Property cost	4,645	4,780	4,785	4,923	4,954
Operating cost	9,478	9,330	9,772	9,723	9,705
<b>Total operating expenses</b>	14,123	14,110	14,557	14,646	14,659
<b>Net Property Income</b>	32,117	38,660	45,493	51,348	59,038

### 3.12.3 Profit Forecast and Projections

The table below sets out Starhill REIT's profit forecast for the 6 months period from 1 January 2006 to 30 June 2006 and projections for financial years ending 30 June 2007 and 2008. Further details of the Forecast and Projections are set out in Section 11 of this Prospectus headed "Profit Forecast and Projections". The Reporting Accountants' letters on the Forecast and Projections are set out in Appendix 3 of this Prospectus.

	<b>Forecast</b> <b>6 months period</b> <b>ending 30 June</b> <b>2006</b> <i>RM'000</i>	<b>&lt; ----- Projections ----- &gt;</b>	
		<b>FY2007</b> <i>RM'000</i>	<b>FY2008</b> <i>RM'000</i>
Gross Receipts	48,050	98,587	101,695
Net Revenue	47,400	97,250	100,310
Total Property Operating Expenses	(8,589)	(17,106)	(18,085)
Net Property Income	38,811	80,144	82,225
Interest income	292	487	511
Total trust expenses	(6,799)	(12,191)	(12,236)
Net income before tax	32,304	68,440	70,500
DI	32,304	68,440	70,500
Distribution to Unitholders	32,304	68,440	66,975

	Forecast	< ----- Projections ----- >	
	6 months period ending 30 June 2006	FY2007	FY2008
Number of Units in issue ('000)	1,040,000	1,040,000	1,040,000
Gross Distribution per Unit (sen)	3.11	6.58	6.44
Annualised/annual gross distribution yield based on the Retail Price of RM0.98 per Unit	6.43%	6.71%	6.57%
Annualised/annual gross distribution yield based on the illustrative Institutional Offer Price of RM1.03	6.12%	6.39%	6.25%
Distribution payout	100%	100%	95%
Distribution cover	100%	100%	105%

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

### 3.13 OWNERSHIP AND MANAGEMENT

#### 3.13.1 Unitholdings of the Sponsor and substantial shareholders of the Sponsor

The direct and indirect unitholdings of the Sponsor and substantial shareholders of the Sponsor in Starhill REIT upon completion of the Offering will be as follows:

Unitholders	Direct		Indirect	
	No. of Units ( <i>'000</i> )	(%)	No. of Units ( <i>'000</i> )	(%)
YTL	530,400	51%	-	-
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	-	-	530,400 <sup>(1)</sup>	51%
YBhg Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	-	-	530,400 <sup>(2)</sup>	51%

Notes:

<sup>(1)</sup> Deemed interest through YTL

<sup>(2)</sup> Deemed interest through Yeoh Tiong Lay & Sons Holdings Sdn Bhd

#### 3.13.2 Unitholdings of the substantial shareholders of the Manager

The direct and indirect unitholdings of the substantial shareholders of the Manager in Starhill REIT upon completion of the Offering will be as follows:

Unitholders	Direct		Indirect	
	No. of Units ( <i>'000</i> )	(%)	No. of Units ( <i>'000</i> )	(%)
YTL	530,400	51%	-	-
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	-	-	530,400 <sup>(1)</sup>	51%
YBhg Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	-	-	530,400 <sup>(2)</sup>	51%

Notes:

<sup>(1)</sup> Deemed interest through YTL and on the assumption that Yeoh Tiong Lay & Sons Holdings Sdn Bhd does not make any application for Units under the Offering.

<sup>(2)</sup> Deemed interest through Yeoh Tiong Lay & Sons Holdings Sdn Bhd and on the assumption that YBhg Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay does not make any application for Units under the Retail Offering.

#### 3.13.3 Unitholdings of the Directors and key management of the Manager

Upon completion of the Offering, none of the Directors and key management of the Manager will have any interest in the Units and on the assumption that such persons do not make any applications for Units under the Retail Offer.

## 4. GENERAL INFORMATION ON REIT

### 4.1 INTRODUCTION TO REIT

A REIT is a collective investment scheme constituted as a real estate investment trust that invests primarily in income-producing real estate and real estate related assets and uses the income from the properties, net of expenses, to provide returns to its unitholders.

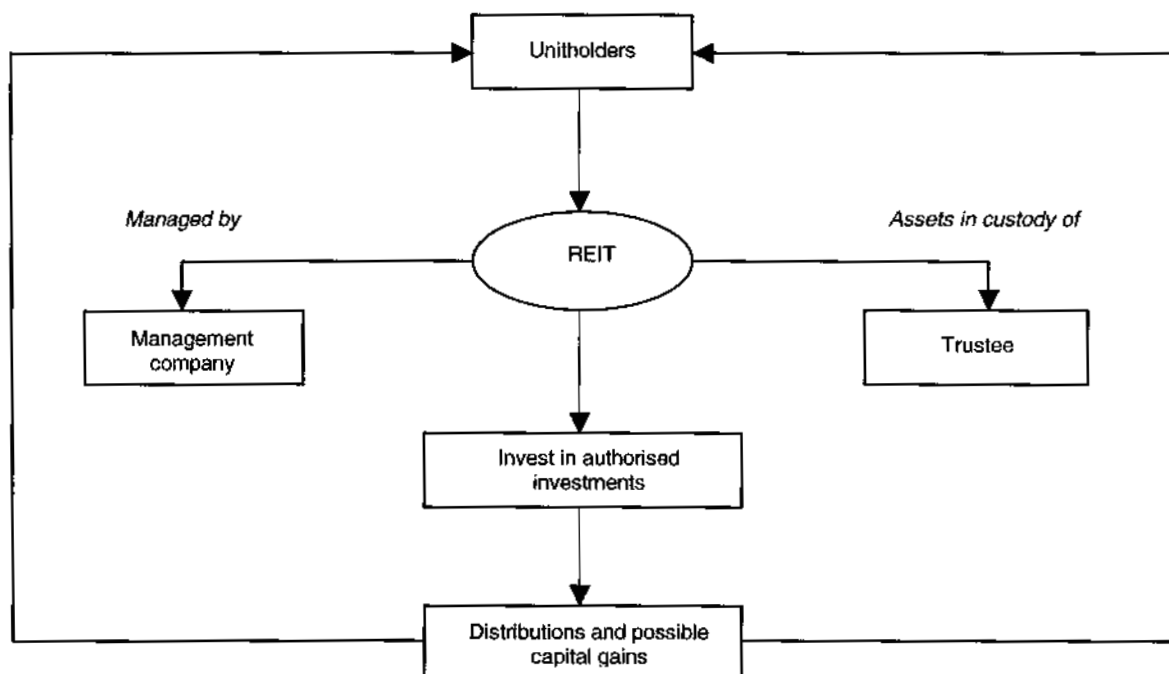
### 4.2 OBJECTIVE OF REIT

The key objective of a REIT is to provide unitholders with stable distributions per unit with the potential for sustainable long-term growth of such distributions.

The objective is sought to be achieved by optimising the performance and enhancing the overall quality of real estate assets through various investment and business strategies.

### 4.3 STRUCTURE AND ORGANISATION OF REIT

A REIT may be illustrated as a tripartite relationship between the manager, the trustee and the unitholders governed by a trust deed registered with the SC. The tripartite relationship between the manager, the trustee and the unitholders in a REIT is illustrated below:



A REIT is constituted by a trust deed entered into between the manager and the trustee. The trust deed sets out the manner in which the scheme is to be administered, the valuation and pricing of units, the collection and distribution of income, the rights of unitholders, the duties and responsibilities of the manager and trustee with regard to the operations of the scheme, and the protection of unitholders' interests.

### 4.4 THE REGULATORY REGIME

The principal legislation governing the establishment and operation of REITs in Malaysia is the Securities Commission Act, REIT Guidelines, Unit Trust Guidelines and the Listing Requirements (in the case of listed REITs), which must be complied with at all times subject to any waivers and/or exemptions granted by the SC and the other relevant Authorities from time to time. This requires, *inter alia*, that the manager and the trustee execute a trust deed which is registered with the SC.



The SC must approve the appointments of the manager, trustee, the manager's directors and chief executive officer as well as the members of the investment committee, if any.

#### 4.4.1 The Manager

The manager is obliged under the trust deed, Securities Commission Act and REIT Guidelines to manage and administer the REIT in a proper, diligent and efficient manner and observe high standards of integrity and fair dealing in managing the REIT to the exclusive interests of the unitholders. The manager is independent of the trustee.

#### 4.4.2 The Trustee

The trustee is obliged under the trust deed, Securities Commission Act and REIT Guidelines to act as the custodian for all the assets owned by REIT and, among others, to safeguard the interests of the unitholders. The trustee must ensure that the manager administers the REIT in accordance with the objectives of the REIT and the provisions of the trust deed, Securities Commission Act and REIT Guidelines.

### 4.5 FEES AND CHARGES

Investors may incur the following fees and charges upon the purchase, sale and holding of their investment in REITs (so long as the units are listed).

#### Payable Directly by Unitholders

Charges	(%/RM)
Bursa Securities clearing fee .....	0.04% of the transaction value, subject to a maximum of RM500 per transaction
Brokerage .....	A percentage of the transaction value as prescribed by the authorised depository agents subject to a minimum of RM12.00 per transaction
Stamp duty.....	0.1% of the transaction value as stated in the contract notes, subject to a maximum of RM200 per transaction

#### Payable Indirectly by Unitholders

In addition to the costs of maintaining and operating properties and other income producing assets and the costs of administration of the REIT, the REIT shall incur the following costs:

Management fees .....	The manager receives this fee for managing the REIT
Property management fees .....	The property manager receives this fee for managing properties. The fee is based on a certain graduated scale as provided in the Seventh Schedule of the Valuers, Appraisers and Estate Agents (Amendment) Rules 2002
Trustee fees.....	The trustee receives this fee for acting as trustee and custodian of the assets and to safeguard the interests of the unitholders

#### **4.6 COMPARISON TO OTHER INVESTMENTS**

There are other forms of investments that are available to investors which include, among others, bonds, shares, fixed deposits, financial derivative products, cash equivalent securities and direct investments in real estate. Different investments have different levels of risk and some are more suitable for investors willing to bear risk whilst others are suitable for investors seeking more security. The level of return from an investment is usually linked to the level of risk an investor has to bear.

An investment in a REIT provides an opportunity for investors to pool their resources into a fund to enable the fund to acquire a selected portfolio of investments primarily in real properties managed by qualified managers.

#### **4.7 INVESTOR PROFILE**

REITs may appeal to investors with a long-term investment horizon seeking sustainable distribution of income and long-term capital growth.

#### **4.8 PERFORMANCE INDICATORS AND BENCHMARKS**

An investment is usually evaluated by comparing it with the performance of an appropriately chosen benchmark. In this context, the performance of REITs can be directly assessed against the performance of the currently listed REITs on the Bursa Securities.

The Kuala Lumpur Composite Index may be an indicator and benchmark for evaluating performance of listed REITs. In addition, the EMAS Index which indicates the overall performance of listed companies on the Main Board of Bursa Securities and Property Sector Index which indicates the performance of listed companies in the EMAS Index that are involved in the property sector, may also be used as an indicator.

Investors may refer to the Bursa Securities website, [www.bursamalaysia.com](http://www.bursamalaysia.com) under Market Information Section for information on the abovesaid indices. Investors could also obtain other pertinent information such as daily stocks performance by sectors and individual stocks from the Bursa Securities' website.

In reviewing the performance of REITs, investors may consider the following performance indicators:

##### **Average Annual Return**

The percentage change in a REIT's price (after adjusting for distributions payout) for the period to the number of years under review. This indicator allows investors to compare the annualised return of the REIT with other forms of investment which is most often expressed in '*per cent per annum*'.

##### **Distribution Yield**

The ratio of the distribution paid to unitholders to the price paid for the units of the REIT or the prevailing market price as the case may be.

##### **Management Expense Ratio**

The Management Expense Ratio ("MER") of a REIT is the total of all the fees and expenses incurred in a financial year and deducted directly from that REIT's income (including the annual management fees, the annual trustee fees, the auditor's fees and other professional fees and expenses) and all the expenses not recovered from and/or charged to the REIT (including the costs of printing, stationery and postage) expressed as a percentage of the average value of that fund.

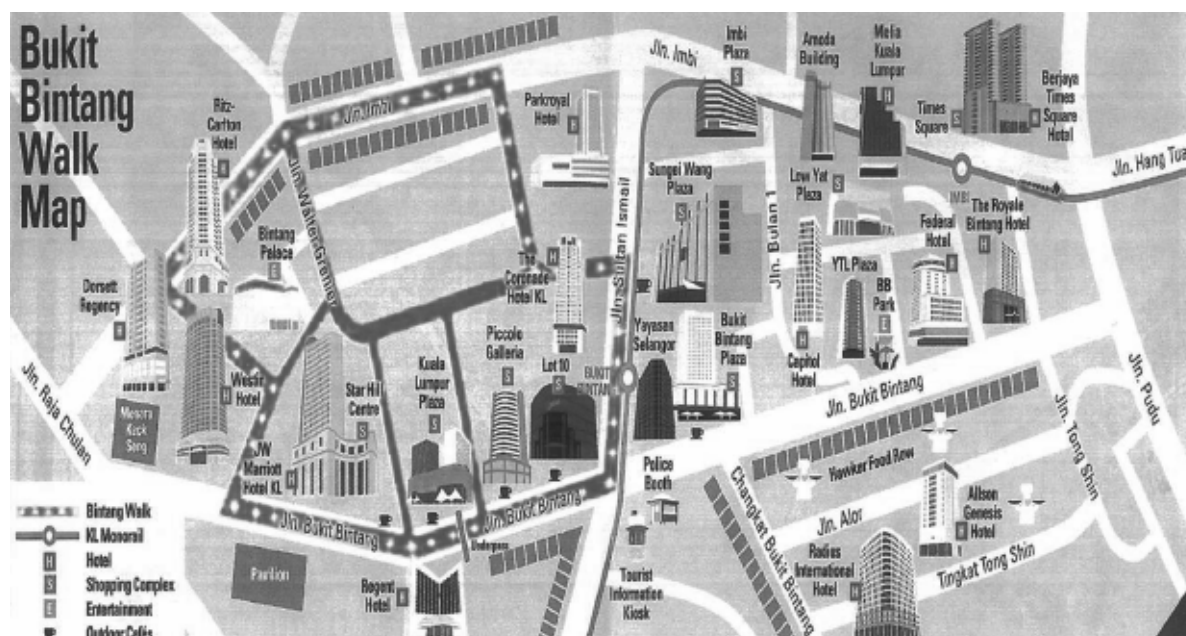
The MER is one way of comparing the costs of investment in a REIT with the costs of other investments of similar nature.

## 5. THE PROPERTIES

### 5.1 INTRODUCTION

Pursuant to the Sale and Purchase Agreement, the Trustee (as the trustee of Starhill REIT), will acquire from YTL Land, three (3) prime properties located in the Bukit Bintang area within the "Golden Triangle" area in central Kuala Lumpur, namely the Starhill Property, the Lot 10 Property and the Hotel Property. YTL Land purchased the Properties (excluding the Tangs Area) for RM323 million in 1999 and the Tangs Area from Tangs for RM77 million in 2003. Since the acquisition of the Properties, YTL Land has played a primary role in the redevelopment and upgrading of Jalan Bukit Bintang, a prime hotel, entertainment, shopping and business district of Kuala Lumpur into the area now known as Bintang Walk. YTL Land proposed to the Dewan Bandaraya Kuala Lumpur (the Kuala Lumpur municipal authority), a master redevelopment plan (the "Masterplan") to convert the driveways and road reserves between the Lot 10 Property and the Starhill Property into a pedestrian walkway, with various food and beverage outlets and other tourist attractions, in order to establish a tourist hub and YTL undertook the development around the Lot 10 Property and the Starhill Property area. Subsequently, other owners of buildings along this stretch financed their own upgrades of the pedestrian walkways, lighting and landscaping of the surrounding environment, based on the Masterplan.

The map below indicates the location of the Properties along Jalan Bukit Bintang.



### 5.2 REVENUE

The table below sets out revenue details for each of the Properties for FY 2005:

Property	Annual Gross Receipts	Annual Gross Receipts as a percentage of total Gross Receipts for the Properties
	(RM million)	(%)
Starhill Property.....	28.57	38.8
Lot 10 Property.....	27.20	36.9
Hotel Property.....	17.93	24.3
<b>Total.....</b>	<b>73.70</b>	<b>100.0</b>

### 5.3 NET LETTABLE AREA

The table below sets out details of the Net Lettable Area for each Retail Property as at the Latest Practicable Date:

Property	Net Lettable Area
	(sq ft)
Starhill Property.....	295,006
Lot 10 Property.....	174,116

### 5.4 VALUATION

The Properties were valued by the Independent Property Valuer on 1 March 2005.

The Appraised Values of the Properties are set out in the following table:

Property	Appraised Value <sup>(1)</sup>	Percentage of aggregate Appraised Value of Properties
	(RM million)	(%)
Starhill Property.....	480	41.7
Hotel Property.....	329	28.6
Lot 10 Property.....	341	29.7
<b>Total</b> .....	<b>1,150</b>	<b>100.0</b>

Note:

<sup>(1)</sup> See "Valuation Certificate" in Appendix 1 of this Prospectus.

### 5.5 MAINTENANCE, REPAIRS AND UPGRADES

Upon completion of the acquisition of the Properties pursuant to the Sale and Purchase Agreement, Starhill REIT will be responsible for the repair, maintenance and operation of the Retail Properties, including repair and maintenance of fixtures and fittings in the Retail Properties. This includes amongst others, maintaining air conditioning, lifts and escalators, plumbing and CCTV systems. The tenants are generally responsible for the upkeep and repair of fixtures and fittings within the area rented out by them in accordance with the provisions of the tenancy agreements. In addition, upgrading of the Retail Properties, repair, renovation and reconfiguration of space leased to tenants will be carried out as and when the need arises. Starhill REIT will also bear the Lot 10 Service Charges in relation to the maintenance of the Lot 10 Common Property. YTL Land has spent approximately RM17.5 million on the renovation of Hotel Property over the past five years as part of its property maintenance and redevelopment program. It is expected that there will not be any major capital expenditure to be incurred for the Starhill Property and the Hotel Property whereas for Lot 10 Property, it is estimated that approximately RM0.17 million will be required to be expended over the next three years for capital expenditure.

Under the Hotel Lease Agreement, the owner of the Hotel Property is obliged to maintain the structure, roof and exterior of the Hotel Property in good and tenantable condition.

See also Section 11 headed "Profit Forecast and Projections" in this Prospectus for further details.

The following table summarises projected significant expenditures of the Properties for the next three years:

Property	Projected capital expenditure requirements	Projected property maintenance costs requirement
	(RM'000)	(RM'000)
Starhill Property.....	FY 2006	-
	FY 2007	-
	FY 2008	-

Property	Projected capital expenditure requirements		Projected property maintenance costs requirement
		(RM'000)	(RM'000)
Lot 10 Property.....	FY 2006	30	87
	FY 2007	111	52
	FY 2008	26	981
Hotel Property.....	FY 2006	-	-
	FY 2007	-	-
	FY 2008	-	-

## 5.6 TENANCY AGREEMENTS AND MANAGEMENT OF TENANCIES

The tenancy agreements entered into for the Retail Properties contain usual terms and conditions, including those relating to payment of rents, provision of security deposit as well as restrictions on alteration and improvement works.

When a prospective tenant has committed to a tenancy, generally a security deposit equal to four (4) months' rent and a utilities deposit, where applicable, is usually payable. Certain security deposits held by YTL Land are represented by irredeemable convertible preference shares issued by YTL L&D and held by an appointed trustee for the benefit of the relevant tenants (but subject to the rights and claims of YTL Land). The basic fixed rent and service charges are normally payable monthly in advance. The turnover rent, which is determined and calculated based on a specified percentage of the monthly gross sale receipts of the tenant, is payable monthly in arrears.

The tenants are also generally liable for paying a service charge, in addition to rent, towards maintenance of the Retail Properties and for the provision of certain services and facilities as described in the tenancy agreements.

As tenant retention is crucial to minimising the turnover of tenancies, under the terms of the Property Management Agreement, the Property Manager is expected to maintain close communication and good working relationships with the tenants of the Managed Properties. Discussions for tenancy extension will be held with tenants whose tenancies are due to expire. The Property Manager will be responsible for enforcing the timely payment of rent by tenants to reduce late payments of rents.

The table below sets out information on the percentage of the AOR of each of the Retail Properties that was leased for FY 2002 to FY 2005 and occupancy rate as at the Latest Practicable Date:

Retail Property	AOR				Occupancy Rate As at the Latest Practicable Date
	FY 2002	FY 2003	FY 2004	FY 2005	
	(%)	(%)	(%)	(%)	(%)
Starhill Property.....	83	91 <sup>(1)</sup> / 90 <sup>(2)</sup>	82 <sup>(1)</sup> / 89 <sup>(2)</sup>	77 <sup>(1)</sup> / 93 <sup>(2)</sup>	99.9
Lot 10 Property.....	94	93	94	96	96

Notes:

<sup>(1)</sup> Including the Tangs Area previously leased to Tangs from April 2003 to March 2004 that was unoccupied during the relevant periods.

<sup>(2)</sup> Excluding the Tangs Area which was being renovated and not available for occupation.

Pursuant to the Hotel Lease Agreement, the sole lessee of the Hotel Property is the Hotel Operator, who has leased the Hotel Property for a period expiring on 31 December, 2023.

## 5.7 EXPIRIES AND RENEWALS

The tenancies at the Starhill Property and the Lot 10 Property are generally for a term of not more than three (3) years with an option for tenants to renew for a further term but renewals are generally at the discretion of the owner of the Retail Properties. In line with normal commercial practice, renewals are generally made on the same terms and conditions as the original tenancies except for the rental rate, which will generally be revised to prevailing market rent. The following table sets out information on expiries of the tenancies of the Retail Properties as at 31 July 2005:

Period	Total number of tenancies expiring	NLA of tenancies	Expiring tenancies as a
		expiring	percentage of NLA of Retail Properties
		(sq ft)	(%)
Vacant .....	6	3,834	1
FY 2006 .....	80	101,843	22
FY 2007 .....	31	33,859	7
FY 2008 .....	126	317,877	68
FY 2011 .....	1	10,430	2
<b>Total .....</b>	<b>244</b>	<b>467,843</b>	<b>100</b>

## 5.8 TENANCY PROFILE

### Tenant profile

Well-known retailing names in the Starhill Property include Louis Vuitton, Alfred Dunhill, Audemars Piguet, Celine, Chopard, Polo Ralph Lauren, Christian Dior, Davidoff, DKNY, Fendi, Versace, Givenchy, Gucci, Kenzo, Salvatore Ferragamo, Ulysse Nardin, Jaeger-Le Coultre, Korloff, Garrard and Rolex together with other luxury designer brands and several restaurants and food outlets. As at 31 July 2005, the ten (10) largest tenants of Starhill Property in terms of monthly rent accounted for 88% of the total Net Lettable Area of the Starhill Property.

Well-known names in the Lot 10 Property include Isetan, Armani Exchange, The Body Shop, Esprit, Guess, Renoma, Timberland, Toni & Guy, Calvin Klein, Topman Topshop, Brilliant Rose, Braun Buffel, Crabtree & Evelyn and Swatch. As at 31 July 2005, the ten (10) largest tenants of the Lot 10 Property in terms of monthly rent accounted for 35% of the total Net Lettable Area of the Lot 10 Property.

The sole lessee of the Hotel Property is the Hotel Operator which makes rental payments for its lease of the Hotel Property. All room rentals and income related to the operations and management of the Hotel Property accrue directly to the Hotel Operator.

The following table sets out the ten (10) largest tenants of the Retail Properties as a whole, in terms of rent as at 31 July 2005, which account for 55% of the total monthly rent of the Retail Properties.

Tenant	Subject property	Trade sub-sector	NLA occupied by tenant	% of total NLA	Rental per month	% of total monthly rental income
			(sq ft)	(%)	(RM)	(%)
Autodome Sdn Bhd.....	Starhill Property and Lot 10 Property	Food and beverage and sub-let	248,932	53.2	1,958,193	41.6
Cortina Watch Sdn Bhd ...	Starhill Property	Watch	6,978	1.5	174,302	3.7
Esprit De Corp (Malaysia) Sdn Bhd .....	Lot 10 Property	Apparel	2,567	0.5	82,144	1.7
F.J. Benjamin Fashions Sdn Bhd.....	Lot 10 Property	Apparel	2,643	0.6	66,075	1.4
YTL e-Solutions Berhad.....	Lot 10 Property	Office	9,395	2.0	56,370	1.2
Apcot PP (M) Sdn Bhd.....	Starhill Property	Apparel	2,798	0.6	50,364	1.1

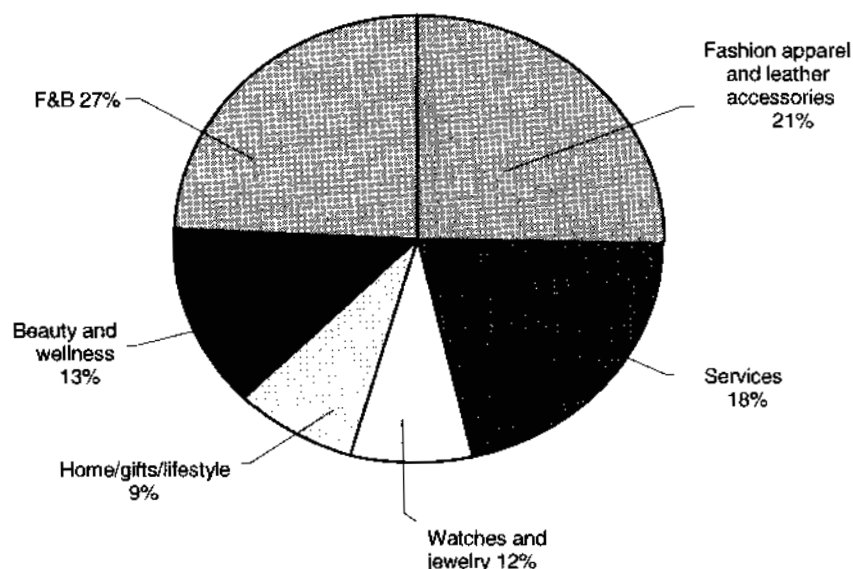
Tenant	Subject property	Trade sub-sector	NLA occupied by tenant (sq ft)	% of total NLA (%)	Rental per month (RM)	% of total monthly rental income (%)
Club Twenty One Retail (M) Sdn Bhd.....	Starhill Property	Apparel	2,875	0.6	46,000 or 13% of gross sales (whichever is higher)	1.0 <sup>(1)</sup>
Dome Café Sdn Bhd .....	Lot 10 Property	Food and Beverage	2,500	0.5	45,000 plus 12% of net sales above RM250,000	1.0 <sup>(1)</sup>
Louis Vuitton (M) Sdn Bhd.....	Starhill Property	Leather accessories (Flagship Store)	12,096	2.6	44,212	0.9
FASB Retail Ventures Sdn Bhd .....	Lot 10 Property	Apparel	2,399	0.5	44,118	0.9

Note:

<sup>(1)</sup> Represents the proportion of the base rental per month over the total base monthly rental for the Retail Properties.

As at 31 July 2005, the segmentation of tenants by trade sub-sector of the Retail Properties is as follows:

### Tenant Mix - Retail Properties (by NLA)



Note:

This segmentation takes into account the trade sub-sectors of Autodome's sub-tenants in the Starhill Property or, with respect to the Starhill Property only, if not sub-tenanted, the floor category in line with the Starhill re-branding.

## 5.9 CAR PARKS

The car park area of each of the Retail Properties will be managed for an initial term of five (5) years by YTL Land pursuant to the Car Park Agreement. YTL Land will be responsible for the costs of operating and managing the car park.

Under the Car Park Agreement, YTL Land will be entitled to occupy and use the car park area and retain for its own account, all revenue derived from all rights of occupation or use of the car park area and the proceeds of any payment under any insurance policy against loss of rent or income from the car park area.

Pursuant to the Car Park Agreement, YTL Land is obliged to pay the Car Park Income. The annual Car Park Income in respect of the car park area for each Retail Property is as follows:

<u>Property</u>	<u>Annual Car Park Income</u>
	<i>(RM)</i>
Lot 10 Property .....	2,500,000
Starhill Property .....	2,500,000
<b>Total .....</b>	<b>5,000,000</b>

The Car Park Income will be payable in equal installments payable monthly in arrears.

The Car Park Income will be increased by 5% of the then prevailing Car Park Income from the third and fifth years of the term of the Car Park Agreement.

## 5.10 MARKETING AND LEASING ACTIVITIES

Pursuant to the Property Management Agreement, the Retail Properties will be marketed by the Property Manager to prospective tenants in desired target groups through direct calls and other appropriate means. Prospective tenants will also be regularly updated with the list of available retail or office units for rental. Viewings of the premises will be conducted regularly with prospective tenants.

## 5.11 INSURANCE

The insurance policies described as follows have been taken out in respect of the Properties by YTL Land, in its capacity as owner of the Properties. Upon completion of the purchase of the Properties pursuant to the Sale and Purchase Agreement, YTL Land is obliged under the Sale and Purchase Agreement to use reasonable endeavours to procure the insurers to include the Trustee as a party to the aforesaid insurance policies to the extent it has an interest in the insurance policies.

Each of the Properties benefits from insurance coverage. The key insurance policies in respect of the Properties that are in place as at the Latest Practicable Date are described in the following table:

<u>Property</u>	<u>Insurance policy</u>	<u>Coverage</u>
Starhill Property and Lot 10 Property	Fire material damage	Building, structure, machinery, fixtures and stock
	Fire consequential loss	Loss of gross revenue due to fire
	Intelligent building policy	Electronic, electrical and mechanical plant and machinery
	Intelligent building – loss of profit	Loss of revenue due to intelligent machinery failures
	Plate glass policy	Plate glass on premises
	Machinery and equipment policy	Electronic, electrical and mechanical equipment



<b>Property</b>	<b>Insurance policy</b>	<b>Coverage</b>
	Machinery breakdown policy	Cold room and refrigeration plant
Hotel Property	Fire material damage	Building, structure, machinery, fixtures and stock
	Fire consequential loss	Loss of gross revenue due to fire
	Plate glass policy	Plate glass on premises

The table below sets out the amount of insurance premiums paid in respect of each of the Retail Properties, for FY 2001 to FY 2005.

<b>Retail property</b>	<b>Insurance payments</b>				
	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Starhill Property	178,146	176,060	173,426	185,152	190,795
Lot 10 Property	318,631	308,367	263,824	137,344	162,375

Insurance premiums policies relating to the Lot 10 Property in FY 2004 decreased due primarily to a change of insurance cover in May 2003. Following an analysis of insurance requirements, YTL Land decided against insurance cover on foundation and basement structures of the Retail Properties and insured the Properties based on replacement cost of the Properties, which accounted for the decrease in the insurance cost.

The Hotel Operator will be responsible for payment of the insurance premiums relating to the Hotel Property. The table below sets out the amount of insurance premiums paid by the Hotel Operator in respect of the Hotel Property for FY 2001 to FY 2005.

<b>Property</b>	<b>Insurance payments</b>				
	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Hotel Property	577,122	553,028	595,418	449,214	368,243

## 5.12 ENCUMBRANCES

The Properties will be charged for the benefit of the Lender as security for the Debt Facility. The charge will be created simultaneously with the transfer of the Properties pursuant to the provisions of the Sale and Purchase Agreement.

## 5.13 RETAIL PROPERTY COMPETITION

The retail property sector in Malaysia remains highly competitive. The principal competitive factors include rental rates, quality and location of properties, supply of comparable space and changing needs of business users brought about by corporate restructuring or technological advances. The accessibility and trade mix within a retail mall is also a major factor in attracting shoppers and tenants.

The retail property market has undergone a revolution, with conventional shopping malls featuring only retail shops no longer being enough to attract the crowds. Although the Retail Properties are attractive to prospective retailers with their large immediate catchment of tourists, business travellers, convention and exhibition participants, office workers and local shoppers, both Retail Properties face competition from retail-cum-entertainment malls located within the Klang Valley including the Curve, Ikano Power Centre, MidValley Megamall, Suria KLCC and Berjaya Times Square.

There are also two (2) shopping malls under construction within the neighbourhood, namely, Nas Pavillion on Jalan Imbi, and the Pavillion on Jalan Bukit Bintang which are located across the Starhill Property. UDA's Bukit Bintang Plaza is also undergoing a refurbishment, which could provide increased competition to Starhill Property and Lot 10 Property. Against such competition, malls like the Starhill Property and the Lot 10 Property will need to capitalise on their location, refurbishments and niche markets to maintain their share of this evolving market.

## 5.14 HOTEL COMPETITION

Similar to the retail sector, the hotel industry underwent a tumultuous year in 2003 with the global outbreak of SARS (Severe Acute Respiratory Syndrome) and the reduction in international travel due to the US-Iraq war in March 2003. As a result, the Malaysian Tourism Promotion Board registered 10.6 million tourist arrivals in Malaysia in 2003, 20% fewer than the previous year's 13.3 million. This has had a significant effect on the occupancy levels of the 4-and 5-star hotels in Kuala Lumpur, with average occupancy levels of about 66% in 2003 and 72.5% in 2004 as compared to 66% in 2002. However, occupancy levels for most 4-star and 5-star hotels in Kuala Lumpur have picked up and the hotel industry in the Klang Valley remains competitive with new hotels opening including the recently opened Hilton KL Sentral (5-star, 510 rooms) and Le Meridien (5-star, 422 rooms).

## 5.15 COMPETITIVE STRENGTHS

The Manager is of the opinion that the Properties enjoy the following competitive strengths:

- **Strategic and prime location**

The Properties are landmark properties strategically located in the Jalan Bukit Bintang area, forming part of the "Golden Triangle" area of Kuala Lumpur. They are located within the area more popularly known as "Bintang Walk", a popular shopping strip with a range of restaurants and entertainment outlets which attracts visitors.

The Properties are easily accessible by roads and are well-served by public transport facilities. Furthermore, accessibility to the Properties has been enhanced with the introduction of the KL Monorail in 2003 (the Bukit Bintang station of the KL Monorail is sited near the side entrance of the Lot 10 Property).

- **Proximity to numerous tourists and business travellers**

The Lot 10 Property and the Starhill Property are located in an area close to numerous hotels and offices, thereby accessible to tourists and business travellers as well as executive and office workers.

The Lot 10 Property is linked by an overhead bridge to Sungei Wang Plaza, which is a large shopping mall in the vicinity of the Properties and also attracts a large number of shoppers.

The Jalan Bukit Bintang area, where the Properties are located, is one of Kuala Lumpur's tourist hubs and as a result, the Properties attract a large number of tourists.

- **High profile of Retail Properties**

The Retail Properties enjoy a high profile as a result of the Vendor's marketing efforts to date. Due to the high profile, the Retail Properties are a recognised and desired address for retail tenants as evidenced by the high occupancy rates mentioned below.

- **High occupancy levels**

High occupancy levels reflect the quality and demand for space in the Lot 10 Property and the Starhill Property. For FY 2005, AOR of the Lot 10 Property was 96%. For FY 2005, the AOR of the Starhill Property was 93% (excluding the Tangs Area). The occupancy rate as at the Latest Practicable Date was 96% and 99.9% for the Lot 10 Property and the Starhill Property respectively.

- **Quality tenant base**

The major tenants of the Retail Properties are mainly foreign brand names and prominent local stores. These quality tenants enhance the stability of the Retail Properties' rental income as they generally have significant long term space requirements in Kuala Lumpur.

## 6. STARHILL PROPERTY

### 6.1 DESCRIPTION

The Starhill Property comprises a 7-level shopping centre with five (5) basements forming part of the podium block of the main building together with a 12-level annexe building with three (3) basements named Starhill Shopping Centre which was completed in September 1995. The Starhill Property is part of an integrated shopping, entertainment and hotel development. The building's architectural design won the Starhill Property the 1997 FIABCI International Prix d'Excellence Special Award in the Retail Properties Category.

As at the Latest Practicable Date, the Starhill Property comprises an aggregate of 295,006 sq ft of Net Lettable Area, with 278,996 sq ft being retail space and 16,010 sq ft being storage and office space. The Starhill Property also offers a total of fourteen (14) levels of car park area throughout the basement levels and the annexe building.

### 6.2 INCOME

For FY 2005, the Starhill Property generated Gross Receipts of RM28.57 million, or 38.8% of the Gross Receipts generated by the Properties.

Rental income accounts for most of the Gross Receipts derived from the Starhill Property and non-rental income has become a less significant component of Gross Receipts from FY 2002 (29%) to FY 2005 (12%). The table below highlights income sources for FY 2001 to FY 2005:

Financial Year	Non-rental income				Total non-rental income	Gross receipts
	Rental income	Maintenance	Car park	Service charges		
	(RM million)	(RM million)	(RM million)	(RM million)	(RM million)	(RM million)
2001 .....	9.85	0.24	1.15	3.06	4.45	14.30
2002 .....	12.83	0.20	1.45	3.47	5.12	17.95
2003 .....	17.34	0.35	1.74	3.93	6.02	23.36
2004 .....	21.56	0.23	1.59	2.44	4.26	25.82
2005 .....	25.04	0.23	1.50	1.80	3.53	28.57

### 6.3 OCCUPANCY

The selection of tenants has been specifically planned according to the nature of business, style of trading and specific floor designation in order to optimise business potential and profitability. This policy also saw the AOR of the Starhill Property rise from 83% for FY 2002 to 93% (excluding the Tangs Area) for FY 2005.

#### AOR and occupancy rate for the Starhill Property

FY 2002	FY 2003	FY 2004	FY 2005	Occupancy rate as at Latest Practicable Date
83%	91% <sup>(1)</sup> /90% <sup>(2)</sup>	82% <sup>(1)</sup> /89% <sup>(2)</sup>	77% <sup>(1)</sup> /93% <sup>(2)</sup>	99.9%

Notes:

<sup>(1)</sup> Including the Tangs Area previously leased to Tangs from April 2003 to March 2004 that was unoccupied during the relevant periods.

<sup>(2)</sup> Excluding the Tangs Area which was being renovated and not available for occupation.

Since April 2004, Tangs vacated 158,531 sq ft gross floor area of space in the Starhill Property. This space has been left empty whilst YTL Land has been focusing on reconceptualising its existing retail space together with the additional 158,531 sq ft gross floor area of space. As the space vacated by Tangs represented approximately 46% based on the Net Lettable Area of the Starhill Property as at 30 June 2004, its AOR dropped to 82% for FY 2004. The AOR for FY 2004 excluding the Tangs Area was 89%.

As at the Latest Practicable Date, the occupancy rate of Starhill Property is 99.9%. This was achieved by virtue of Autodome agreeing to rent approximately 76% of the NLA as at the Latest Practicable Date which is inclusive of the Tangs Area. The area leased by Autodome for the purposes of subleasing represents approximately 57% of the NLA of the Starhill Property. As at the Latest Practicable Date, Autodome has successfully sub-let approximately 90% of this space.

#### 6.4 TENANT INFORMATION

The Starhill Property targets an upscale market with brand names such as Louis Vuitton, Alfred Dunhill, Audemars Piguet, Celine, Chopard, Polo Ralph Lauren, Christian Dior, Davidoff, DKNY, Fendi, Versace, Givenchy, Gucci, Kenzo, Salvatore Ferragamo, Ulysse Nardin, Jaeger-Le Coultre, Korloff, Garrard and Rolex. Eateries include Shook!, Sentidos Tapas and Luk Yu Tea House.

As at the Latest Practicable Date, the Starhill Property has 38 tenants. The table below sets out information relating to the top ten tenants based on monthly rental payable by the tenant as at 31 July 2005.

Tenant	Trade sub-sector	NLA occupied by tenant (sq ft)	% of total NLA (%)	Rental per month (RM)	% of total monthly rental income <sup>(1)</sup> (%)
Autodome Sdn Bhd.....	Food and beverage and sub-let	223,092	76.0	1,860,923	67.4
Cortina Watch Sdn Bhd ..	Watch	6,978	2.4	174,302	6.3
Apcot PP (M) Sdn Bhd....	Apparel	2,798	1.0	50,364	1.8
Club Twenty One Retail (M) Sdn Bhd.....	Apparel	2,875	1.0	46,000 or 13% of gross sales (whichever is higher)	1.7 <sup>(2)</sup>
Louis Vuitton (M) Sdn Bhd .....	Leather accessories (Flagship Store)	12,096	4.1	44,212	1.6
Belbon Sdn Bhd.....	Apparel	2,017	0.7	40,340	1.5
Gucci (Malaysia) Sdn Bhd .....	Apparel	1,958	0.7	39,160	1.4
Tse Sui Luen Jewellery Retailing Sdn Bhd.....	Jewellery	1,985	0.7	37,175	1.4
Ferragamo (M) Sdn Bhd .....	Apparel	2,252	0.8	34,579 or 11% of gross sales (whichever is higher)	1.3 <sup>(2)</sup>
Kasturi Mujur Sdn Bhd.....	Apparel	1,186	0.4	33,208	1.2

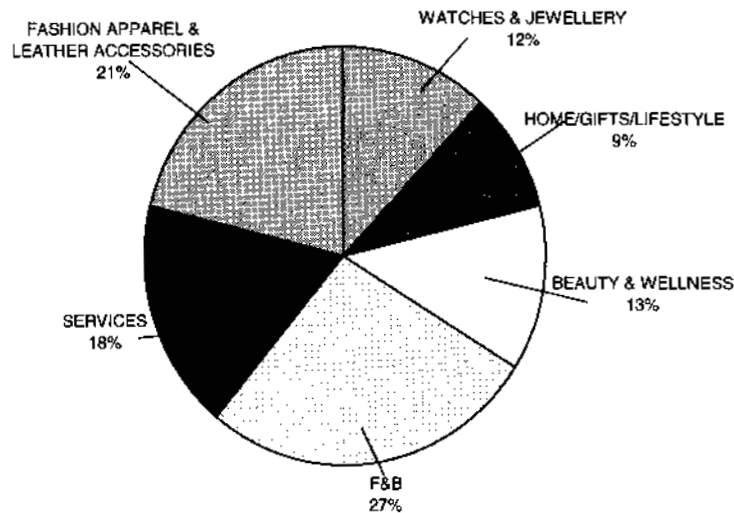
Notes:

(1) % of total monthly rental income for July 2005

(2) Represents the proportion of the base rental per month over the total base monthly rental for the Starhill Property.

As at 31 July 2005, the segmentation of tenants by trade sub-sector of the Starhill Property is as follows:

Tenant mix - Starhill Property (by NLA)



Note:

This segmentation takes into account the trade sub-sectors of Autodome's sub-tenants in the Starhill Property, and with respect to the Starhill Property only, if not sub-tenanted, the floor category in line with the Starhill rebranding.

## 6.5 EXPIRIES AND RENEWALS

The following table sets out information on tenancies at the Starhill Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

Financial Year	Number of expired tenancies	NLA of expired tenancies (sq ft)	Number of tenancies renewed	Total NLA of renewed tenancies (sq ft)	Renewal rate by number of tenancies (%)	Renewal rate by NLA (%)
2002 .....	33	45,701	5	9,748	15	21
2003 .....	37	72,934	20	45,179	54	62
2004 .....	31 <sup>(1)</sup> /30 <sup>(2)</sup>	189,205 <sup>(1)</sup> / 30,674 <sup>(2)</sup>	8	11,069	26 <sup>(1)</sup> /27 <sup>(2)</sup>	6 <sup>(1)</sup> /36 <sup>(2)</sup>
2005 .....	45	113,720	11	34,213	24	30

Notes:

(1) Including Tangs Area

(2) Excluding Tangs Area

Starhill Property was acquired by YTL Land together with the then existing tenancies. Some of these tenancies included tenants who were not prompt with payments of their rent. With a view to securing reputable tenants and to minimise rental revenue impact, YTL Land undertook an exercise to re-assess tenants' profile in conjunction with expiry of the tenancies as part of its overall strategy to re-position Starhill Property. Accordingly, the renewal rates for tenancies for FY 2002 and FY 2003 were low. The repositioning exercise continued upon completion of the acquisition by YTL Land of Tangs Area as described in Section 6.6 below. Tenancies granted to tenants who no longer fit into the theme planned and designed for Starhill Property were not renewed. This resulted in the drop in the renewal rate of tenancies in FY 2004 and FY 2005.

The table below sets out details of expiries in respect of tenancies which, as at 31 July 2005, are scheduled to take place during the periods indicated:

Period	Total number of tenancies expiring	NLA of tenancies expiring (sq ft)	Expiring tenancies as a percentage of NLA of Starhill Property (%)
FY 2006.....	26	39,815	14
FY 2007.....	8	9,059	3
Beyond FY 2007.....	90	244,853	83
<b>Total.....</b>	<b>124</b>	<b>293,727</b>	<b>100</b>

## 6.6 REBRANDING AND TRANSFORMATION OF STARHILL PROPERTY

YTL Land has, with a view to transforming Starhill Property to become a leading expression of taste and style in food, fashion, living, beauty and art in the city, made renovations to parts of the Starhill Property, including the Tangs Area that was vacated by Tangs in April 2004. The renovation works have been designed by international architect, David Rockwell of New York and are inspired by the overall theme of the elegance of nature and endeavour to capture a spirit of wellness.

Along with the renovations, YTL Land embarked on a rebranding and reimagining exercise. As part of this exercise, the Starhill Property was relaunched on 30 July 2005 as "Starhill Gallery".

Following the renovations and rebranding, Starhill Property has seven (7) themed floors, each with its own particular focus as described below:

### **Feast floor**

This floor is designed as a multi-ethnic feast village having an ethnic and rustic theme by Yuhkichi Kawai, an architect from Japan, and comprises 13 restaurants serving an array of international cuisine.

### **Indulge floor**

This floor is intended to cater to an upmarket clientele and houses leading luxury brands which includes Mulberry, Louis Vuitton, Fendi and Anne Klein.

### **Adorn floor**

Leading luxury watch brands and stand alone boutiques, such as Swiss Union group, Yafiro group and Cortina Watch Espace Boutique are housed on this floor.

### **Explore floor**

This floor has an array of Malaysia's talented and innovative designers which features boutiques, such as Facet Fire, Rizalman and Beatrice Looi.

**Pamper floor**

This floor is devoted entirely to beauty and health services and renowned beauty brands such as Essential Urban Retreat, Kanebo Spa and Spa Indrani.

**Relish floor**

This floor is dedicated to speciality restaurants such as the Japanese Robotayaki Gonbei and the Taiwanese Jogoya Buffet Restaurant and also contains a showcase of YTL Homes.

**Muse floor**

This floor houses outlets dedicated to fine arts, photography, sculptures and antiques.

**6.7 RENOVATION**

Starhill Property underwent renovation under the design of David Rockwell of New York as part of its rebranding exercise. Renovation works began in April 2004 and was completed in July 2005. All renovation and rebranding costs were borne by YTL Land. The Manager does not expect any major capital expenditure to be incurred by the Starhill REIT in the immediate future.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

## 7. LOT 10 PROPERTY

### 7.1 DESCRIPTION

The Lot 10 Property comprises approximately 174,116 sq ft of Net Lettable Area as at the Latest Practicable Date. The Lot 10 Property, is located within the Lot 10 Shopping Centre which consists of an 8-storey block with one basement and a lower ground floor and a 7 storey annexe building with a lower ground floor and also includes the Isetan Parcel located on five (5) storeys and the basement and lower ground floor measuring approximately 128,596 sq ft and the YTL Parcel, which occupies an area of approximately 571 sq ft on the second floor. Isetan is also a major tenant of Lot 10 Property. The Lot 10 Shopping Centre commenced operations on 10 October 1990 and was awarded ISO9002 certification for Quality Management Systems Standards in 1996.

The Lot 10 Shopping Centre is an attractively designed shopping centre which incorporates contemporary designs with wide pedestrian frontages and large atriums. The Lot 10 Shopping Centre is also linked via an overhead bridge above Jalan Sultan Ismail to Sungei Wang Plaza.

### 7.2 LOT 10 COMMON PROPERTY

The Lot 10 Property does not include the Lot 10 Common Property which is owned by the Lot 10 MC. The Lot 10 MC comprises all parcel proprietors of the Lot 10 Shopping Centre which, as at the date of this Prospectus, are YTL Land and Isetan. The owners of the Lot 10 Property, the Isetan Parcel and the YTL Parcel are required to pay the service charges to the Lot 10 MC (or to such person authorised by the Lot 10 MC) which is responsible for the maintenance of the Lot 10 Common Property. Service charges are payable at the rate of RM1.00 per sq ft per month based on the respective areas of Lot 10 Property, Isetan Parcel and YTL Parcel owned by the respective owners. Lot 10 MC has appointed YTL Land to manage the Lot 10 Common Property and to collect the services charges for the period commencing 18 November 2005 and expiring 31 December 2006. Subject to the agreement of Starhill REIT, Lot 10 MC and YTL Land, this arrangement is expected to continue for a further period to be mutually agreed upon.

### 7.3 INCOME

Whilst rental income accounts for most of the Gross Receipts derived from the Lot 10 Property, there is also significant non-rental income. The table below highlights income sources for FY 2001 to FY 2005:

Financial Year	Non-Rental Income				Total Non-Rental Income (RM million)	Gross Receipts (RM million)
	Rental Income (RM million)	Maintenance (RM million)	Carpark (RM million)	Service charges (RM million)		
2001 .....	16.95	0.17	1.81	2.03	4.01	20.96
2002 .....	19.39	0.16	1.68	2.30	4.14	23.53
2003 .....	20.58	0.27	1.88	2.67	4.82	25.40
2004 .....	21.24	0.24	1.79	2.61	4.64	25.88
2005 .....	22.27	0.32	1.72	2.89	4.93	27.20

For FY 2005, the Lot 10 Property generated Gross Receipts of RM27.20 million, or 36.9% of the Gross Receipts generated by the Properties.

### 7.4 OCCUPANCY

As at the Latest Practicable Date, the Lot 10 Property has an occupancy rate of 96%. The AOR of the Lot 10 Property remain largely unchanged from FY 2002 to FY 2005 as illustrated in the table below:

#### AOR and occupancy rate for Lot 10 Property

FY 2002	FY 2003	FY 2004	FY 2005	Occupancy rate as at the Latest Practicable Date
94%	93%	94%	96%	96%



## 7.5 TENANT INFORMATION

The selection of tenants has been specifically planned according to the nature of business, style of trading, specific floor designation and most importantly, to optimise business potential and profitability.

The tenants of the Lot 10 Property include well-known brands such as Isetan, Armani Exchange, The Body Shop, Esprit, Guess, Renoma, Timberland, Toni & Guy, Calvin Klein, Topman, Topshop, Brilliant Rose, Braun Buffel, Crabtree & Evelyn and Swatch, as well as eateries such as Delifrance, Dome Café, San Francisco Café and Société Café.

As at the Latest Practicable Date the Lot 10 Property has 96 tenants. The table below sets out information relating to the top ten tenants based on monthly rentals payable by tenant as at 31 July 2005:

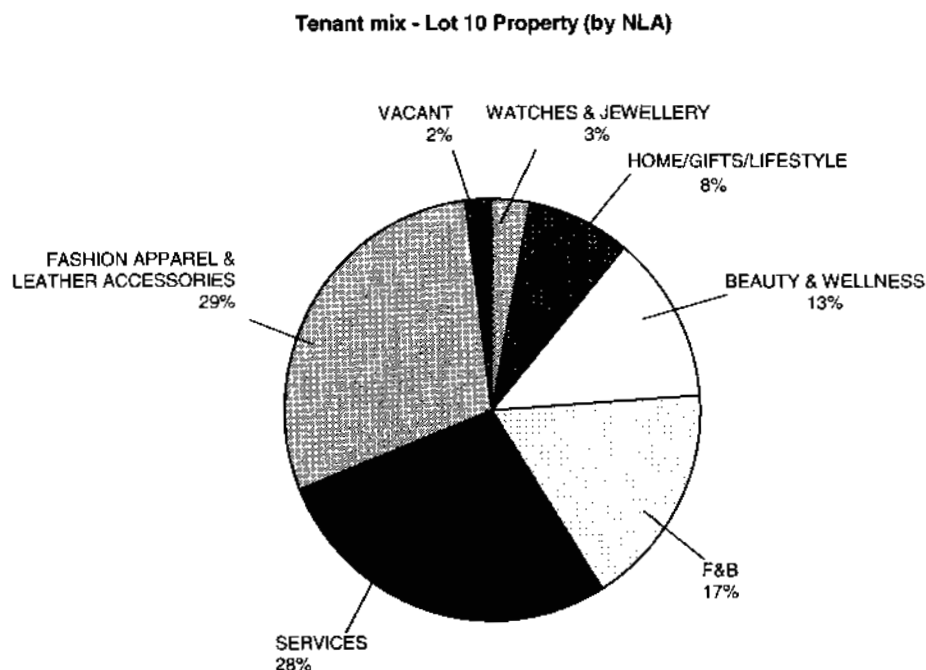
Tenant	Trade sub-sector	NLA occupied by tenant (sq ft)	% of total NLA (%)	Rental per month (RM)	% of total monthly rental income <sup>(1)</sup> (%)
Autodome Sdn Bhd ..	Food and beverage	25,840	14.8	97,270	5.0
Esprit De Corp (Malaysia) Sdn Bhd ..	Apparel	2,567	1.5	82,144	4.2
F.J. Benjamin Fashions Sdn Bhd ....	Apparel	2,643	1.5	66,075	3.4
YTL e-Solutions Berhad.....	Office	9,395	5.4	56,370	2.9
Dome Café Sdn Bhd .....	Food and Beverage	2,500	1.4	45,000 plus 12% of net sales above RM250,000	2.3 <sup>(2)</sup>
FASB Retail Ventures Sdn Bhd ....	Apparel	2,399	1.4	44,118	2.3
Generation Two Thousand Apparel Sdn Bhd.....	Apparel	1,676	1.0	39,604	2.0
House of Woohing Sdn Bhd.....	Watch	1,221	0.7	39,072	2.0
Isetan of Japan Sdn Bhd.....	Supermarket	11,116	6.4	38,334	2.0
The Hour Glass Sdn Bhd.....	Watch	1,194	0.7	38,028	2.0

Notes:

<sup>(1)</sup> % of total monthly income for July 2005

<sup>(2)</sup> Represents the proportion of the base rental per month over the total base monthly rental for the Lot 10 Property.

As of 31 July 2005, the segmentation of tenants by trade sub-sector of the Lot 10 Property is as follows:



## 7.6 EXPIRIES AND RENEWALS

The following table sets out information on tenancies at Lot 10 Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

<b>Financial Year</b>	<b>Number of expired tenancies</b>	<b>NLA of expired tenancies (sq ft)</b>	<b>Number of tenancies renewed</b>	<b>Total NLA of renewed tenancies (sq ft)</b>	<b>Renewal rate by number of tenancies (%)</b>	<b>Renewal rate by NLA (%)</b>
2002 .....	19	34,736	11	26,845	58	77
2003 .....	77	92,390	43	56,489	56	61
2004 .....	22	30,767	8	20,210	36	66
2005 .....	39	70,055	14	42,569	36	61

Lot 10 Property's tenant mix has been designed to keep abreast with current trends and the selection of tenants has been specifically planned accordingly. As a result, not all tenancies were renewed upon expiry in cases where YTL Land determines that:

- the existing tenant's business does not fall within the desired tenant mix; or
- a prospective tenant offers a higher rent than the existing tenant.

The table below sets out details of expiries in respect of tenancies which, as at 31 July 2005, are scheduled to take place during the periods indicated:

<b>Period</b>	<b>Total number of tenancies expiring</b>	<b>NLA of tenancies expiring</b>	<b>Expiring tenancies as a percentage of NLA of Lot 10 Property</b>
		<i>(sq ft)</i>	<i>(%)</i>
Vacant .....	6	3,834	2
FY 2006 .....	54	62,028	36
FY 2007 .....	23	24,800	14
FY 2008 .....	36	73,024	42
FY 2011 .....	1	10,430	6
<b>Total</b> .....	<b>120</b>	<b>174,116</b>	<b>100</b>

## 7.7 RENOVATION

There has been no substantial renovation or refurbishment undertaken for the Lot 10 Property in the last five (5) years. Save as disclosed in Section 5.5 herein, the Manager does not foresee any major capital expenditure to be incurred by Starhill REIT in the immediate future.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

## 8. HOTEL PROPERTY

### 8.1 DESCRIPTION

The Hotel Property was the first hotel property branded as a "Marriott" hotel in Malaysia which opened on 12 July, 1997. The Hotel Property is situated in the heart of the Golden Triangle, Kuala Lumpur's prime business and shopping district, adjacent to the Starhill Property, and anchoring Bintang Walk, a popular shopping strip with a range of restaurants and entertainment outlets.

The Hotel Property comprises part of an 8-level podium block and the entire 24-level tower block of the main building.

The Hotel Property which is targeted mainly towards business travellers and tourists, comprises 561 guest rooms including 70 suites, most of which are equipped with multi-line telephone with voice-mail, facsimile and computer capabilities and satellite television.

Recreational facilities include a gymnasium with aerobics room, sauna, whirlpool and steam room, as well as swimming pool, tennis court, jogging track and health spa.

Other facilities include conference and meeting rooms, which comprise one grand ballroom and 22 meeting rooms targeted for business meetings, creative events and social occasions with the capacity to cater to up to 1,200 people, as well as a well-equipped business centre.

### 8.2 HOTEL OPERATOR AND HOTEL LEASE AGREEMENT

The Hotel Property is presently leased by YTL Land to the Hotel Operator for a term expiring on 31 December, 2023 pursuant to the Hotel Lease Agreement. Following the Completion Date, Starhill REIT will continue to lease the Hotel Property to the Hotel Operator pursuant to the Hotel Lease Agreement which will be novated to Starhill REIT upon completion of the purchase of the Properties pursuant to the Sale and Purchase Agreement. The Hotel Operator is the operator of the Hotel Property.

Pursuant to the Hotel Lease Agreement, an initial annual rent of RM20,520,000 per annum is payable by the Hotel Operator monthly in advance. The monthly rental shall be increased by 5% of the then prevailing monthly rental after the expiry of 3 years from 1 December 2004 and thereafter at 5 yearly intervals. The rental payable during the term of the lease is as set out below:

Period		Rental	
From	To	Per Month (RM)	Per Annum Equivalent (RM)
1 December 2004	30 November 2007	1,710,000	20,520,000
1 December 2007	30 November 2012	1,795,500	21,546,000
1 December 2012	30 November 2017	1,885,275	22,623,300
1 December 2017	30 November 2022	1,979,539	23,754,468
1 December 2022	31 December 2023	2,078,516	24,942,192

Pursuant to the Sale and Purchase Agreement, YTL Land will, at the Completion Date, procure that a security deposit in the sum of RM5,000,000 as security for the due observance and performance by the Hotel Operator of its obligations under the Hotel Lease Agreement, will be provided by YTL Hotels & Properties Sdn Bhd by way of a corporate guarantee in favour of Starhill REIT.

Subject to the Hotel Operator having paid the monthly rents and performed in all material respects its obligations under the Hotel Lease Agreement and having given the requisite notice, upon the expiration of the existing lease tenure, Starhill REIT is obliged to let the Hotel Property to the Hotel Operator for a further term of 15 years on terms similar to the Hotel Lease Agreement but at the revised rentals determined in the following manner:

- (a) Starhill REIT and the Hotel Operator shall use reasonable endeavours to mutually agree on the monthly rentals for the renewed term within 60 days from the date of receipt by Starhill REIT of the written notice to renew the lease from the Hotel Operator, taking into account prevailing market conditions and other relevant factors; and
- (b) if Starhill REIT and the Hotel Operator fail to agree on the monthly rentals payable for the renewed term upon expiry of the 60 day period mentioned above, the monthly rentals for the renewed term will be as follows:
  - (i) for the first 5 years of the renewed term, the prevailing monthly rental payable in the last month of the existing rental term increased by 5%; and
  - (ii) the monthly rental will be increased by 5% of the then prevailing monthly rental every 5 yearly interval thereafter.

The Hotel Lease Agreement can be terminated in the following circumstances:

- (a) upon the expiry of the Hotel Lease Agreement on 31 December 2023 and if the Hotel Operator has not given the requisite written notice of its intention to renew the lease to Starhill REIT;
- (b)
  - (i) the Hotel Operator fails to pay the monthly rent;
  - (ii) the Hotel Operator fails to perform or observe any material obligation under the Hotel Lease Agreement;
  - (iii) the Hotel Operator has a receiving/winding-up order made against it;
  - (iv) the Hotel Operator has made a general assignment of or has entered into an arrangement with its creditors generally,

and the Hotel Operator fails to remedy the breach (if remediable) within a 30-day period (which will be extended by an additional 60 day period if such breach cannot be remedied within the aforesaid 30 day period so long as the Hotel Operator is exercising reasonable diligence to remedy such breach); and

- (c) if damage or destruction to the Hotel Property from any cause materially and adversely affects the operation of the hotel business and Starhill REIT fails (regardless of whether insurance proceeds are available or not) to promptly commence and complete the repairing, rebuilding or replacement of the Hotel Property to the same condition as existed immediately prior to such damage or destruction or is not, in the reasonable opinion of the Hotel Operator, rendered fit for occupation and use within a period of 6 months from the date of such damage or destruction.

Under the terms of the Hotel Lease Agreement:

- (a) Starhill REIT will, at the request of the Hotel Operator, take all action to apply for and procure a separate document of title in respect of the Hotel Property to enable the Hotel Operator to obtain a valid and registered lease over the Hotel Property; and
- (b) Starhill REIT will not sell, transfer, dispose of, charge or otherwise deal with the Hotel Property without the prior written consent of the Hotel Operator provided that such consent will not be unreasonably withheld.

The rental for the Hotel Property for FY 2001 to FY 2005 is set forth below.

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<i>(RM million)</i>	<i>(RM million)</i>	<i>(RM million)</i>	<i>(RM million)</i>	<i>(RM million)</i>
Rental.....	10.98	11.29	11.29	14.29	17.93

### **8.3 HOTEL MANAGEMENT**

The Hotel Operator has appointed Marriott International Hotels, Inc. to manage the operations of the Hotel Property.

All income related to the operations and management of the Hotel Property are for the benefit of the Hotel Operator and not the owner of the Hotel Property. The monthly rental payable by the Hotel Operator to Starhill REIT will not be affected by the results of the operations undertaken by the Hotel Operator nor the performance of the hotel manager appointed by the Hotel Operator.

### **8.4 RENOVATION**

In the last 5 years, a total of approximately RM17.5 million was spent by YTL Land on refurbishment of the top four floors of the Hotel Property.

The Manager does not foresee any major capital expenditure to be incurred by Starhill REIT in the immediate future.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK